Assembly Bill No. 1247

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Passed the Assembly August 25, 2011

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Chief Clerk of the Assembly

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Passed the Senate August 22, 2011

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Secretary of the Senate

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This bill was received by the Governor this ⎯⎯⎯ day of ⎯⎯⎯⎯⎯⎯⎯, 2011, at ⎯⎯⎯ o'clock ⎯⎯м.

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Private Secretary of the Governor

CHAPTER _____

An act to amend Section 20229 of the Government Code, relating to public employees' retirement.

LEGISLATIVE COUNSEL'S DIGEST

AB 1247, Fletcher. Public retirement systems: reporting.

The Public Employees' Retirement Law provides a defined benefit to members of the Public Employees' Retirement System (PERS) based on age at retirement, service credit, and final compensation, as those terms are defined. The management and control of PERS is vested in the Board of Administration of PERS, including the calculation of the contribution rates for specified state employees and state employers. Existing law requires the board to submit a report to the Legislature, the Governor, and the Treasurer describing the investment return assumptions, discount rates, and amortization periods utilized by the board in the calculations of the contribution rates and to include recalculations of those rates based on specified adjustments of the investment return assumptions, amortization periods, and discount rates utilized by the board any time it calculates the contribution rates. Existing law requires the Treasurer, within 30 days following receipt of the report, to provide each house of the Legislature, at a publicly noticed floor session, with an explanation of the role played by the investment return assumption and amortization period in the calculation of the contribution rates and the consequences for future state budgets if the investment return assumptions are not realized, to report whether the board's amortization period exceeds the estimated average remaining service periods of employees covered by the contributions, and to express his or her opinion of the reasonableness of the board's calculation of the contribution rates.

This bill would require the Board of Administration of PERS to submit that report annually to the Legislature, the Governor, and the Chair of the California Actuarial Advisory Panel, would limit the scope of the report to state employee retirement plans, and would revise the adjustments of the investment return assumptions and discount rates utilized by the board any time it calculates the

contribution rates. The bill would delete the requirement that the Treasurer express his or her opinion of the reasonableness of the board's calculation of the contribution rates. The bill would require the Chair of the California Actuarial Advisory Panel, or his or her designee, instead of the Treasurer, within 30 days following receipt of the report, to provide the Senate Committee on Public Employment and Retirement and the Assembly Committee on Public Employees, Retirement and Social Security, at a publicly noticed joint hearing, with an explanation of the role played by the investment return assumption and amortization period in the calculation of the contribution rates, a description of the consequences for future state budgets if the investment return assumptions are not realized, and a report on whether the board's amortization period exceeds the estimated average remaining service periods of employees covered by the contributions.

Existing law also requires the board, at any time it forecasts contribution rates, to submit a report to the Legislature with a revised calculation of the forecasted contribution rates utilizing a specified investment rate assumption.

This bill would delete this reporting requirement of the board.

The people of the State of California do enact as follows:

SECTION 1. Section 20229 of the Government Code is amended to read:

20229. (a) The board, notwithstanding Section 10231.5, shall provide the Legislature, the Governor, and the Chair of the California Actuarial Advisory Panel, established pursuant to Section 7507.2 of the Government Code, with an annual report that includes all of the following, as these items apply to state employee retirement plans:

(1) (A) A description of the investment return assumption utilized by the board when determining the contribution rates.

(B) A calculation of the contribution rates utilizing an investment return assumption 2 percentage points above and 2 percentage points below the investment return assumption utilized by the board.

(2) (A) A description of the amortization period for any unfunded liabilities utilized by the board when determining the contribution rates.

(B) A calculation of the contribution rates based on an amortization period equal to the estimated average remaining service periods of employees covered by the contributions.

(3) (A) A description of the discount rate utilized by the board for reporting liabilities.

(B) A calculation of those liabilities based upon a discount rate that is 2 percent below the long-term rate of return actually assumed by the board.

(4) The market value of the assets controlled by the board and an explanation of how the actuarial value assigned to those assets differs from the market value of those assets.

(b) The Chair of the California Actuarial Advisory Panel, or his or her designee, within 30 days of receipt of the report required by subdivision (a) shall, during a publicly noticed joint hearing of the Senate Committee on Public Employment and Retirement and the Assembly Committee on Public Employees, Retirement and Social Security, do all of the following:

(1) Explain the role played by the investment return assumption and amortization period in the calculation of the contribution rates.

(2) Describe the consequences for future state budgets should the investment return assumption not be realized.

(3) Report whether the board's amortization period exceeds the estimated average remaining service periods of employees covered by the contributions.

(c) The report required by subdivision (a) shall be submitted in compliance with Section 9795.

Approved _____, 2011

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Governor